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PROCESSING AND MARKETING OF ICELANDIC SEAFOOD AFTER THE YEAR 1992

with regard to a new regulation of the European Community on hygiene during processing and marketing of seafood and developments in these matters in other countries

by Gisli Jon Kristjansson, Chief Fisheries Inspector

Icelandic profits at risk!

Processing and sale of seafood, new or wasted opportunities?

Although there are signs of alarm in the Icelandic economy at this hour, various opportunities await Icelandic firms if the fishing industry and the authorities manage to play their cards right.

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In terms of external circumstances, we are facing a serious and probably long-term contraction in cod catches, our most important food stock, because of capelin failure. On the other hand, prices of seafood are high and duties are expected to drop, due to agreements of the European economic zone.

But many things can be done that will greatly affect the competitive position of Icelandic seafood in foreign markets in the near future. The European Community has now approved new rules on hygiene in the processing and marketing of seafood. The US government will also invite establishments and importing countries to participate in a new quality control system for seafood next year.

Many other countries active in food processing such as Australia, New Zealand, Finland and Canada are now working to improve their official inspection systems for food processing.

One of the main reasons for improving the inspection systems of these countries is the marketability of the material. Authorities in the importing countries want to protect consumers against unfit goods or fraud and therefore demand guarantees that the food products meet all minimum official standards. Countries also want to protect consumers on the domestic market. By improving their quality control systems, these countries considerably strengthen the market position of the sectors in question vis-a-

vis corresponding sectors in competing countries, and respond to the demands of consumers.

EC regulation regarding hygiene in the processing and marketing of seafood

A new EC regulation on hygiene in the processing and marketing of seafood will take effect on January 1, 1993. It provides for new and augmented requirements to be met by fish-processing establishments as well as by official inspection bodies. 71% of the value of Icelandic seafood exports comes from EC countries.

The regulation comprises all produce from sea and freshwater fish that is meant for human consumption. It provides that, to be marketable, this produce must satisfy the indicated requirements regarding, for instance, fishing vessels, unloading ports, fish markets, wholesale, curing and processing plants, and transportation.

Three types of requirements have been established, i.e., requirements regarding buildings and equipment, requirements regarding internal inspection in establishments, and official inspection and quality requirements on the produce. Requirements on the organization of inspection, which is threefold, has attracted most of the attention:

1) Internal inspection that establishments are required to undertake and the management is responsible to implement. They shall report critical points in the processing operation of the plant, follow work procedures to overcome and control such critical points, take samples for analysis by recognized research institutes to verify procedures regarding cleanliness and disinfection and to show that the provisions of the regulation are followed.

   There shall be written records or statements that in an inalterable manner contain information about the above-mentioned factors that can be presented to lawful authorities for verification. The conclusions of the monitoring and investigation shall be observed for at least two years.

2) The supervision and control of the official control of the country in question covers, for instance, fishing vessels, landing of catch, sale, distribution, granting of processing permits, cleanliness, equipment, labelling of produce, etc.

3) Experts under the EC direction have the task of verifying the qualifications and competence of the official inspection bodies and that they apply the provisions of the regulation in a comparable manner and also that establishments meet the provisions of the regulation.

The regulation also contains several provisions that will place new requirements on government representatives as well as industry representatives and establishments, if they are followed. These are provisions of the regulation, under which, in the case of each new recruit in a fish-processing plant, the potential worker needs to prove with a medical certificate that there is no risk employing him.

As mentioned above, the regulation will take effect on 1 January, 1993. The governments of the countries that need to introduce comparable regulations therefore have about 12 months to introduce them.

Fishing and fish-processing sectors in question get the same period of time to prepare to meet the requirements imposed. The Council of Europe has provided that, for some countries within the EC, this period of grace is extended to a time that allows for the completion of considerable changes in buildings and on board fishing vessels.

Provisions were therefore included in the regulation that authorize lawful authorities to give those owners of processing permits that already were in operation before 31.12.1991 a period of reprieve to fulfill specifically mentioned provisions regarding improvements as long as all matters of hygiene of the processing plants in question are in order and the application

has been submitted before 1 July 1992. The period of improvement may not, however, extend beyond 31.12.1995. The member countries of the European economic zone may get the same reprieve if so agreed.

United States inspection system HACCP

The United States government has, as instructed by the President of the United States, speeded up the development of the inspection system Hazard Analysis Critical Control Point (HACCP) in fishing and the processing, distribution and sale of seafood. The two organizations that have most worked on the development and introduction of the system are the Food and Drug Administration (FDA) and the National Marine Fisheries Service (NMFS), and these organizations would correspond to the Ministry of Health and the Ministry of Fisheries here in Iceland. Both organization have so far increased staff considerably and the FDA has this year established a special department to deal solely with seafood and its inspection.

The benefits to those who adopt the HACCP system are for instance that such establishments may use a special official "quality mark" that certifies that the produce was processed under given conditions, and it would be possible to export the produce directly to the United States without the customary FDA control. It is said that retail chains, at least in the United States, will pay more for such produce bearing a "quality mark." Establishments are free to adopt the HACCP system and fees are expected for services used by the establishments. The United States market is the second largest market for Icelandic seafood and accounts for more than 12% of the value of exported seafood.

FDA and NMFS representatives recently visited Iceland to explore the possibilities of official inspection authorities of Iceland guaranteeing the establishment of such a system in this country.

During the visit, Americans explained the HACCP system at a meeting with the most important industry representatives and they also familiarized themselves with the conditions of freezing plants and shrimp-processing plants in this country. Their findings seemed positive and they will forward preliminary ideas for a collaboration agreement to the National Seafood Inspectorate in March 1992.

The structure of the HACCP system is largely as follows:

A. Participation is voluntary.

- Establishments may use a special official mark on produce (i.e., obtain recognition)
- Establishments take care of and submit to a given inspection.

B. The goal of the HACCP is to ensure the following:

- Safety (microorganisms, matter)
- Ensure the wholesomeness of the produce (cleanliness, hygiene)
- Prevent fraud (weight, labelling, etc.)

C. The procedure is based on the following:

- A flow chart is prepared for the processing.
- Risks that may be present are stated.
- Trouble spots in the processing are stated.
- Preventive measures.
- Inspection.
- Record of inspections including official inspections of processing.

Iceland was the first country outside the United States that was visited in this manner and the subsequent countries were Canada and Norway. The HACCP system has now been tested in the United States, and establishments and countries outside the United States are expected to be invited to participate during the latter half of 1992.

Canadian inspection system QMP

Preparatory work in Canada to introduce the inspection system Quality Management Program, QMP, has taken from six to ten years approximately. An important reason for the development of the inspection system was an extensive survey of the conditions of fish processing in Canada. The QMP is based on current regulations in Canada, etc., and next year a processing permit is expected to become conditional on an establishment having adopted the QMP system. According to Canadian authorities, the Department of Fisheries and Oceans (Inspection Service Directorate), all major fish-processing establishments have adopted the system and smaller establishments are expected to do so next year.

Americans claim to have learned various matters from the QMP system such as records kept by establishments, and the QMP also rewards good processing plants with a special Canadian quality

mark, and establishments are classed according to their condition (cleanliness, equipment, internal quality control system).

Canadians are confident that, with the QMP system and the increased safety and quality of processing, the market position of Canadian seafood will strengthen considerably and that they will gain a certain quality image. The Inspectorate has familiarized itself with the Canadian system and feels that, once it has been implemented, they will profit greatly.

Canadians have widely publicized their quality control system (just as the Americans have publicized theirs) and have thus strengthened their quality image. For instance, we could refer to the well-known journal Seafood International, which last September carried an 11-page article on the quality of Newfoundland seafood that for instance pointed out that Canadians were now the only country to have a mandatory quality control system in their fish-processing plants, or "THE WORLD'S ONLY MANDATORY QUALITY MANAGEMENT PROGRAMME."

We should in this context refer to a recent market survey that the Norwegians carried out in the U.S. market in January 1990 (Project QUALITY WAVE). It was asked, on one hand, which country delivered best quality in cod and, on the other hand, in which country the buyers got most for their money. The results were as follows:

Which country delivers best quality in cod		In which country does the buyer get most for his money when he buys cod?	
1. Iceland	33.8%	1. Canada	31.4%
2. Canada	23.5%	2. United States	27.9%
3. United States	22.5%	3. Iceland	24.3%
4. Norway	10.4%	4. Norway	9.4%
5. Danmark	3.6%	5. Danmark	2.4%

How will these figures compare in the next few years?

Quality control systems of other fish-processing countries

Norwegians

Norwegians have given quality in fish processing special attention and are now officially working in about 10 to 20 establishments, advicing them in the use of a quality control system that is based on the ISO-9002 standard. The Ministry of Fisheries and industry representatives in Norway are also in charge of a special campaign regarding quality in fisheries that has been named the QUALITY WAVE.

The reasons why the Norwegians are now giving quality matters more attention are, according to them:

1. Smaller quotas - general contraction in catches.
2. Market development - demands on safety and quality, EC rules.
3. Increased competition from other countries.
4. Change in policy, e.i., support to establishments will be reduced.

Many changes are taking place in EC countries.

Denmark

Meetings have been held in Denmark on official quality control systems such as the QMP, HACCP, and the EC regulations. The Danes have already participated in inspecting systems such as the HACCP and other quality control systems and this work should soon bring benefits to Danish fish-processing plants.

Britain

Many changes are taking place in Britain because of the EC regulation, and heavy investment will be involved to make the fishing industy into a modern food-processing industry. The Sea Fish Industry-Authority, which is a semi-official organization, has for instance worked to assist establishments to meet the EC rules and improve the quality of seafood. EC assistance is also generous and fish-processing plants within the community will enjoy it.

The objective is, as indicated in an interview of Seafood News, October 91, with Christ Davies, chief executive of the Sea Fish Industry-Authority, for Britain to become competitive and the leading fish-processing nation in Europe.

Germany

Germany has made improvements in fisheries that will cost about 3.5 billion Icelandic kronur up to the year 1993. This involves 57 projects in all, 43 of which are in fish processing. The objective is for instance to reorganize the whole fisheries industry (and fishing) of "East Germany" so that it will survive the expected competition. They are counting on a lot of support from the EC for this and, in addition to assistance, there will be favorable loans, free knowhow, etc. and experts have estimated that this work will require at least half a billion marks or 1.8 billion Icelandic kronur.

Wheels have thus begun to turn rapidly abroad and improvements will be seen everywhere. Various things have been done in Iceland in recent years but to what avail?

Iceland

In 1987, the National Seafood Inspectorate launched a special project to reform cleanliness and equipment matters in fish-processing plants under the name Model Fish Processing, which was

based on existing regulations on cleanliness and equipment. The processing permits of some processing plants were not renewed or were cancelled, but most establishments received a positive response subject to improvements, and most rectified what was unsatisfactory.

This involved thorough inspections and they were carried out at the initiative of official representatives, i.e., the Inspectorate.

Due to a lack of funds and staff in recent years, the Inspectorate has unfortunately had to apply itself to three sectors, i.e, shrimp processing, freezing plants and saltfish processing that have the greatest use for the project. Those processing plants that were in operation during the period that the inspection in the area took place were selected. The results of the project Model Fish Processing are substantial and publicized in the Newsletter.

The inspections classed establishments according to conditions and the findings were used as an incentive for improvement, but they also served as a measure of where improvement was most needed and what results had been achieved.

Icelanders unwittingly assumed in these years a leadership role, as the QMP, HACCP and EC rules on seafood were unknown systems

and not in use. Both the Canadians and the Americans have referred a lot to Iceland in the last little while when they have been putting the final touches to the formats of their systems.

Let us again think about the EC regulation on hygiene in seafood processing and marketing that will take effect on 1 January 1993, be it at the time of the signing of the European economic zone treaty or not. What factors do we have to rectify in Icelandic fish processing and fishing to be able to say truthfully that we meet the requirements and are thus the leading nation in fish processing and treatment of catch? Having consulted the staff of the Inspectorate, I would estimate as follows (see Ill. A):

[1] mynd A

[2] Áætlun	[3] Fjöldi vinnsluleyfa 1990 var:	[4] Gæðakröfur til afurða:	[5] Ástand hreinlætis og búnaðarmála: Uppfyllir:, Uppf. ekki:		[6] Fyrirhuguð innra eftirlits fyrirt. skv ES: Uppfyllir:, Uppf. ekki:	
[7] Persfiskvinnsluleyfi:	20	[12] Alm. í lagi	50%	50%		100%
[8] Hraðfrystihús:	137	— " —	61%	39%	22%	78%
[9] Rækjuvinnslur:	35	"	85%	5%	43%	57%
[10] Skelfiskvinnslur:	11	"	73%	27%	27%	73%
[11] Vinnsluskip:	65	"	51%	49%	8%	92%
[12] Lagmetisiðjur:	15	"	40%	60%	40%	60%
[13] Saltfiskvinnslur:	279	"	39%	61%	1%	99%
[14] Skreiðarvinnslur:	92	"	39%	61%		100%
[15] Síldarsöltunarstöðvar:	44	"	57%	43%		100%
[16] Söltun grásl.hrogna:	118	"	68%*	32%*		100% *
	[17] 816 leyfi	[18] Alm. í lagi				

[19] * vilsiganði ?

[20] *Fjöldi dreginn dauðra á hreinlæti og búnaði skipa vegna hafnarvottorða er um 2000*

Key on p. 16.

Key to Illustration A: 1) Ill. A 2) Estimate 3) No. of processing permits in 1990 was: 4) Quality requirements on produce 5) Conditions with regard to cleanliness and equipment: Satisf. Not satisf. 6) Org. of internal inspection of the establishment as indic. by the EC: Satisf. Not satisf. 7) Fresh fish processing permits 8) Quick-freezing plants 9) Shrimp processing 10) Shellfish processing 11) Factory vessels 12) Canning 13) Saltfish processing 14) Stockfish processing 15) Salt herring plants 16) Lumpsucker roe salting 17) permits 18) Gen. in order 19) Applicable? 20) The number of annual inspections on cleanliness and equipment of vessels for a qualification certificate is about 2000.

According to the table, we may estimate that in about 40% of cases, some or many improvements have to be made. In about 90% of cases, it is estimated that internal inspection as indicated in the EC regulation is not present. In a similar number of cases, i.e., in about 95-99%, the medical examination of individual workers does not take place until they start work and the official quality and size grading of fish has taken place in Iceland, but not by the EC.

It would be profitable to consider what the conditions of cleanliness and equipment of fish processing would be if the Inspectorate had not initiated the project Model Fish Processing and other tasks.

The project has had an effect on all processing sectors, directly or indirectly. The percentage of processing plants with cleanliness and equipment generally not in order would probably be about 25% higher or about 65% of processing permits.

The responses of industry representatives including fisheries marketing corporations to developments abroad have differed. The year 1992 will become a year of the greatest changes ever for the managers of establishments as far as quality and quality control systems are concerned, but this is necessary if the establishments intend to survive beyond 1992, because of the requirements of the EC and the HACCP system in the United States.

It has been expressed that this might be done without official involvement, which I find strange because the premise of the EC system, the HACCP system as well as the QMP system is that official representatives in each country exercise supervision to verify and guarantee that the rules are followed and have sufficient funds, staff, authority, etc. needed for this.

Spokesmen of other corporations explained that their establishments were so poorly off financially that the full available period of reprieve was needed to bring cleanliness and equipment to order.

These prominent individuals expressed their opinions on the matter but it must be said that nothing has been heard from other fisheries corporations. Some individuals have thought that we Icelanders do not need to worry much about cleanliness and equipment requirements; it is of course common knowledge how

fresh fish processing is carried out in the Humber area in Britain.

The National Seafood Inspectorate has now officially been repeating for over a year that increased requirements are expected from the European Community and the United States. The Inspectorate has pointed out that while there are some problems in cleanliness and equipment in fish-processing plants and fishing vessels, we have, however, an invaluable headstart to most other countries regarding these matters and the organization of inspection, which we could now use to our advantage to create a special quality image for Icelandic seafood.

It would therefore be timely to create a new official quality control system for the self-guidance of Icelandic fish-processing establishments. This would involve regular inspections and grouping of establishments according to conditions. Follow-up would be maintained on cleanliness and equipment matters in fishing vessels and fish-processing plants and their records regarding the work setup for catch and processing of seafood. The extent of inspection would then be in keeping with the results. Fees etc. for processing permits would thus relate to the conditions of an establishment and its records.

This would also create the opportunity to give the best establishments a permission to use an official quality mark that

would be a governmental acknowledgement of their work procedures, and such a thing is recognized abroad as explained above. Such a system may gain a crucial role in the marketing of seafood from Iceland the same way as the HACCP and the QMP systems will be doing for the Americans and the Canadians.

The headstart that we Icelanders have today in both cleanliness and equipment and the official inspection system that the Inspectorate has been developing with inspections and grouping of establishments will not exist at the end of 1992 if current signs hold true. The image of Icelandic seafood abroad is now threatened because the number of competent producers of quality seafood is steadily increasing all over the world.

The Inspectorate has explained its view on this but has so far not received any positive response or support from fisheries representatives, despite the fact that the majority of the advisory committee of the Inspectorate, the Fish Appraisal Board, understands what lies ahead. But the financial standing of the Inspectorate has been difficult as mentioned above and the Inspectorate has therefore not managed to cope with the new requirements and its changed role.

A positive image of fisheries in each country has to be built on reality and that reality must be introduced in a businesslike manner if it is to be conducive to increased prosperity. If we

intend to sell Icelandic seafood, it matters a great deal how we try to ensure that all our seafood is wholesome, hygienic, in appropriate packaging, correctly labelled, and processed under conditions appropriate to food processing. The foundation must be secure so that the subsequent work of selling and marketing is not put at risk and that the better quality image benefits the national economy.

The year 1992 will show whether Icelanders fall behind and and become an average fish-processing nation with no special quality image vis-a-vis others in foreign markets.

Reykjavik, 10 December 1991

[Signature]
Gisli Jon Kristjansson
Chief Fisheries Inspector